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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

There have been some reports of opposition to the government's new land reform program, but a survey of village and hamlet officials, who will be administering the law, indicates that many of them stand to gain personally by supporting the program.

Viet Cong budget data for 1970 indicate that planned expenditures per man are roughly triple the amount authorized in 1968, but still are well below those for South Vietnamese forces.

Retail prices in Saigon rose sharply during April, resulting in an increase of 15 percent for the first four months of the year. Black market dollar and gold prices declined somewhat at the end of April for the first time in three months.

ANNEX: Monthly and Weekly Currency and Gold Prices  
(Graph)  
South Vietnam Economic Indicators (Charts)

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Reactions to Land Reform

1. The Saigon press and rural officials have reported some initial opposition to the government's new land reform program. Much of the criticism apparently stems from the belief that the land-to-the-tiller program, which was enacted in March, is an American idea forced on the Vietnamese. A district official addressing a Vinh Long Province pacification meeting received strong applause when he said it was a black day for Vietnam to have to accept a land reform law written by an American. Opposition also has been reported from some Hoa Hao groups in Chau Doc and An Giang provinces in the delta. According to embassy officers, however, these groups are composed of a small number of large landowners who almost certainly will not gain the backing of Hoa Hao leaders and who probably are not strong enough to block implementation of the law to any significant extent. Moreover, most Hoa Hao farmers are either landowners with less than the new legal limit of 15 hectares or are tenants who will benefit directly from the new law.

2. Despite this opposition, a survey of local officials in the delta indicates that village government officials--who will be administering the law--have considerable self-interest in supporting the land reform program. A MACV-sponsored survey of land ownership and tenancy among village officials and hamlet chiefs in five delta provinces was undertaken during December 1969 and January 1970 as the result of assertions by some US officials that the land reform program would meet considerable opposition by village governments because they are largely controlled by a land-owning, rent-collecting gentry. The survey was conducted among almost 700 officials in 131 villages whose security status is representative of the range of security of all rural villages in the delta. The results of the study showed that about 60 percent of village officials have no personal stake in land redistribution because they are neither farmers nor landlords or because they are small-scale owner-operators whose status would be unaffected by the new law. About 30 percent of those interviewed are tenant farmers who should be in favor of the law, and the remaining ten percent are landlords who

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presumably will be opposed... The study concludes, therefore, that officials who stand to gain from land reform outnumber those who would lose by three to one. The surveyors did not directly ask any of the officials, however, whether or not they supported the government's land reform program.

#### VC Per Capita Expenditures

3. Viet Cong budget estimates for their personnel in the Saigon area indicate that planned expenditures per man in 1970 are roughly triple the amount authorized in 1968. According to a captured document, Sub-Region 4 (SR-4) recently requested authorization from the Central Office of South Vietnam (COSVN) for a budget totaling 155.8 million piasters (\$1.3 million at the official exchange rate of 118 piasters per dollar) to support 3,000 personnel during 1970--an average of \$435 per person. This expenditure compares with reported authorized spending in 1968 of \$136 per combatant and \$121 per civilian cadre in SR-1. Both SR-1 and SR-4 are adjacent to Saigon, the former on the northwest and the latter on the east, where prices rose about 75 percent between January 1968 and January 1970. While the report from SR-1 did not indicate what types of expenditures were made, the 1970 request from SR-4 stated that planned expenditures included military and party activities as well as social welfare. It is estimated that at least 80 percent of regional VC budgets usually are allocated to military activities, and in the case of subregions that have military units directly subordinate to them, as is true in both SR-1 and SR-4, the military budget probably includes the cost of some arms and ammunition as well as the cost of food, allowances, clothing, medical supplies, and transportation, which probably account for the largest share of expenditures.

4. Not unexpectedly, the per capita expenditures of the VC are well below those of the South Vietnamese military forces, even allowing for some lack of comparability in the available data. A study completed in 1969 for the US Department of Army on the costs of supporting South Vietnam's

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military forces gives the following expenditures per man for US FY 1968:

	<u>Regular Forces (ARVN)</u>	<u>Regional Forces</u>	<u>Popular Forces</u>
Total	\$2,052	\$775	\$447
of which:			
Materiel and Main- tenance	1,408	163	56
Pay and Allow- ances	558	580	371

Also included in the above data are the costs of construction, training, and miscellaneous items.

#### Prices

5. According to preliminary data, the monthly average retail price index for Saigon increased about seven percent during April. During the first four months of 1970, therefore, retail prices in Saigon rose about 15 percent. The sharp increase in prices during April stems from a number of factors. The continuing low level of rice deliveries from the delta has resulted in further increases in the price of rice, the most important item in the consumer price index. In addition, constant rumors of devaluation and the extremely low level of confidence in the piaster, as reflected in the black market, have led consumers to spend rather than hold their money.

#### Currency and Gold

6. Black market-dollar and gold prices declined somewhat in late April for the first time since January. On 27 April the price of dollars was 413 piasters per dollar, down nine piasters from the all-time high reached the previous week. The price of a dollar's worth of gold leaf fell 21 piasters during the two weeks ending 27 April to 493 piasters. The rate for MPC, on the other hand, rose to 230 piasters per dollar, but still was slightly below the all-time high of 233 piasters reached at the end of March.

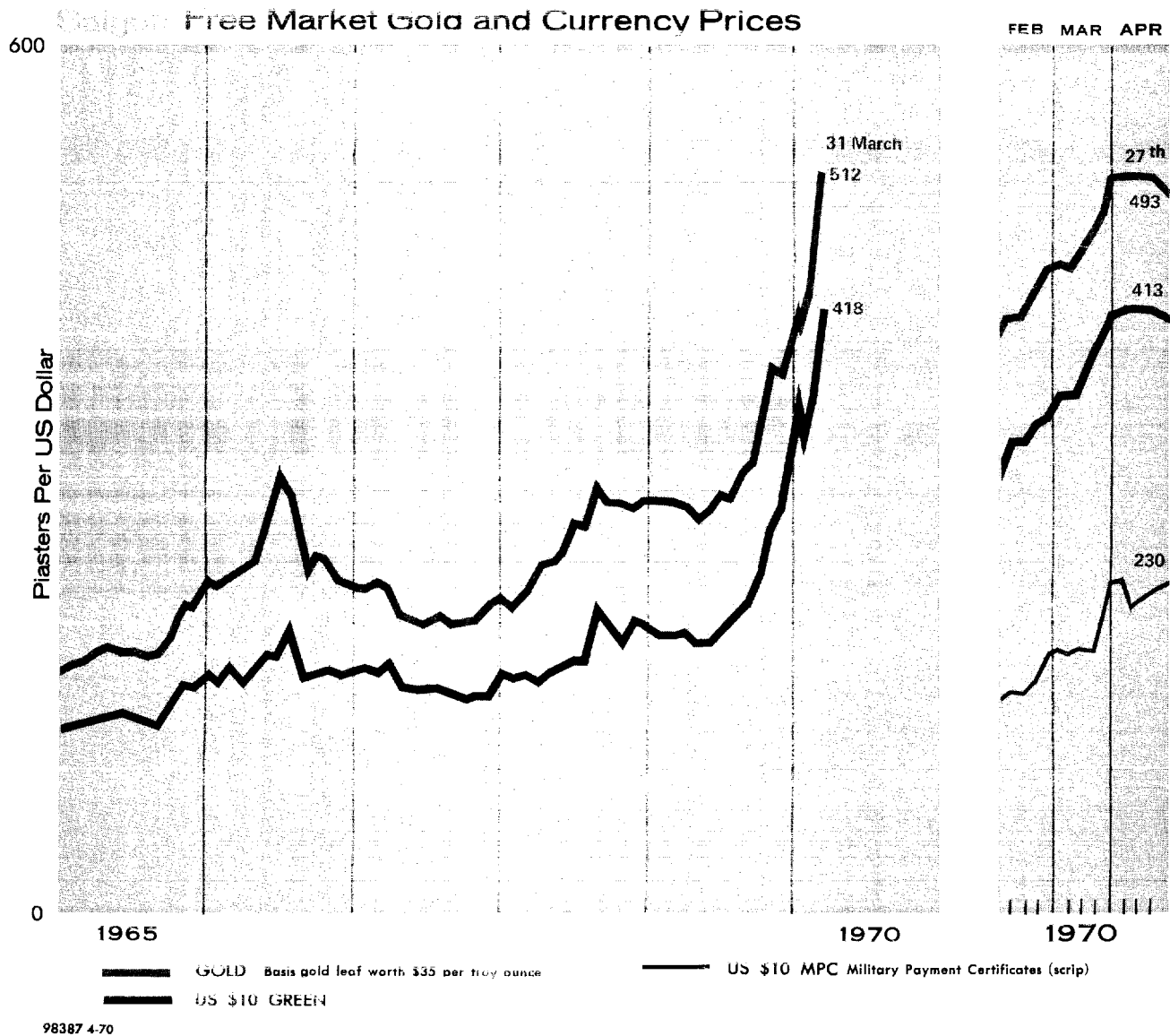
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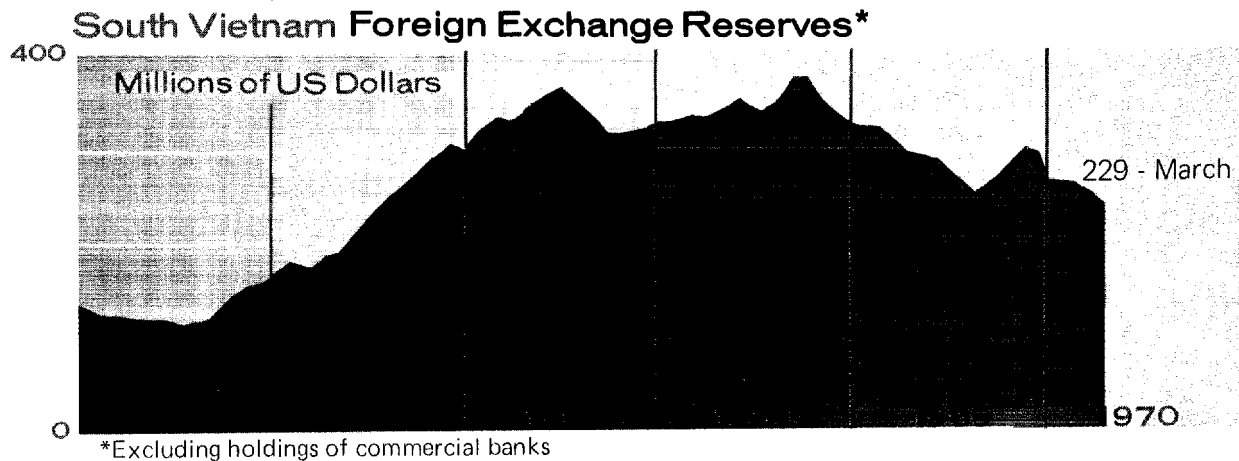
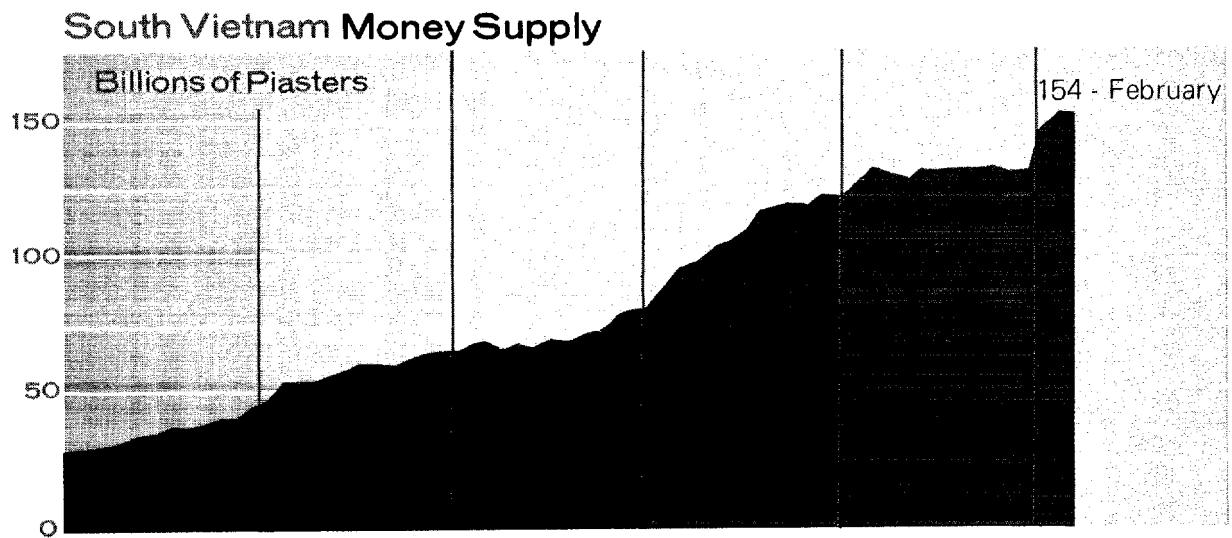
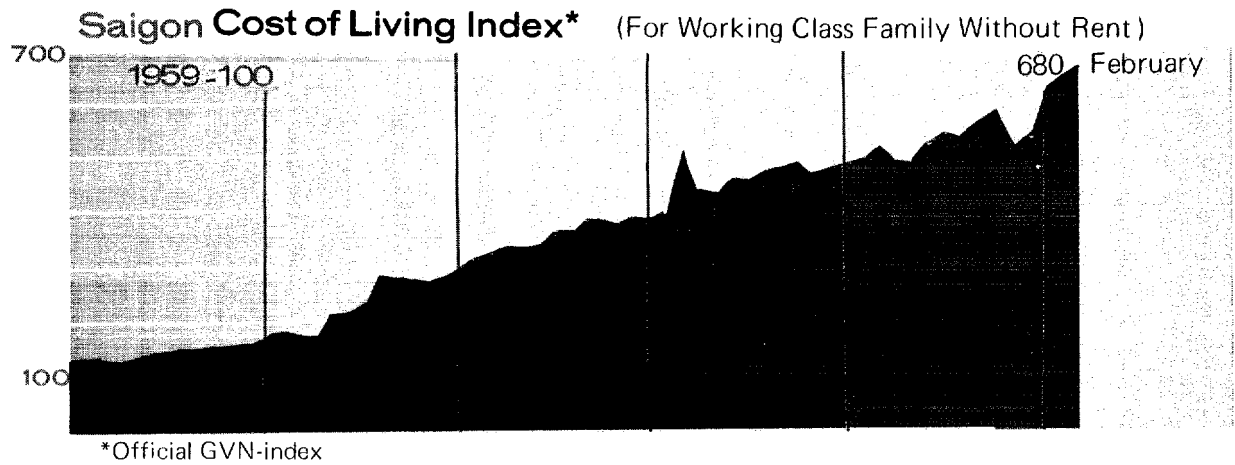
According to the embassy, recent more vigorous enforcement of customs regulations at Tan Son Nhut airport, where a considerable amount of dollars and piasters was seized, probably contributed to the decline in dollar and gold prices. (A graph on monthly and weekly currency and gold prices as well as charts on the cost of living, money supply, and foreign exchange reserves are included in the Annex.)

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